

THE TRANSPORTATION LINK



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**From the Desk of
Ronald A. Stroman
Acting Director of the
Office of Small and Disadvantaged
Business Utilization**

Welcome! On September 11th, Secretary Slater appointed me the Acting Director of the Department of Transportation (DOT) Office of Small and Disadvantaged Business Utilization (OSDBU).

I look forward to working with the OSDBU community to ensure that small, minority, women-owned and disadvantaged businesses participate in DOT's direct procurement and Federal financial assistance activities.

This newsletter is addressing an important trend in DOT contracting – performance based service contracting (PBSC). DOT has made a firm commitment to use the (PBSC) approach, when appropriate, to more clearly define performance requirements. I encourage all of you to become familiar with this acquisition methodology to remain competitive in the federal contracting arena.

There have been several recent updates in the DOT Disadvantaged Business Enterprise (DBE) program. We have outlined them for you, including many sources for additional clarification.

On October 1, OSDBU posted the *FY 2000 Procurement Forecast* on its web site at <http://osdbuweb.dot.gov/business/procurement/forecast.html>. I encourage you to use this valuable information in planning your overall efforts to market DOT. The *Procurement Forecast* data will be updated frequently throughout the fiscal year.

I look forward to working with you in the future!

A New Trend in Government Contracting: Performance Based Service Contracts (PBSC)

There is a new trend in government buying: Performance Based Service Contracting (PBSC). The U.S. Department of Transportation (DOT) has made a firm commitment to make PBSC a ONE DOT priority. It is important for small, disadvantaged and women-owned businesses to become familiar with this form of contracting if they want to do business with DOT.

Though conceived and implemented years ago, PBSC has been a sparsely used mode of government buying until the recently renewed focus to have greater customer satisfaction through acquisition reform in terms of price, timeliness, quality, and productivity. The FY 1999 Budget of the United States Government includes PBSC as one of the 22 priority management objectives. Recent studies confirm its effectiveness.

What is PBSC?

PBSC is the purchasing method in which the work required by the agency is described in terms of results rather than level of effort. It emphasizes quantifiable, measurable performance requirements and quality standards in developing Performance Work Statements (PWS), selecting contractors, determining contract type, awarding incentives, and performing contract administration.

Performance-based contracting methods are intended to ensure that required performance quality levels are achieved and that total payment is related to the degree that services performed meet contract standards. For the U.S. Department of Transportation (DOT) that means a clear description of what the effort entails, performance expectations, and incentives necessary to ensure contractor success.

PBSC at DOT

Included in the Fiscal Year 2000 performance agreements and designated as a ONE-DOT priority, PBSC is an integral part of fulfilling DOT's mission. The Deputy Secretary of DOT, Mortimer Downey, has charged Operating Administration Heads to look at contract requirements as they come up for renewal and consider using the PBSC approach, when appropriate.



**Deputy Secretary
Mortimer Downey**

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OSDBU

Office of Small
and Disadvantaged
Business Utilization

wants to hear from you!! Call us toll-free at 1 800 532-1169 with questions or comments about this newsletter or our web site. The Transportation Link's content may be reprinted without permission.

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DOT's goal is to ensure that by the end of FY 2004, 80% of all applicable service contract actions and 80% of applicable service contract dollars will meet the criteria of PBSC. The 20% factor covers situations where it is determined that using PBSC is inappropriate. All services, except true construction and A&E are to be considered as possible candidates for PBSC. "I am designating PBSC as a ONE-DOT priority and will include it in DOT's performance agreements," Deputy Secretary Downey recently stated. "To be successful, PBSC must be driven and embraced by the program and budget communities, as the procurement community cannot drive it alone."

In establishing the performance agreement goals with the Administrators, the Deputy Secretary acknowledged that there would be instances when a PBSC approach would not be appropriate for all services. There are no blanket exceptions such as R&D, commercial services, emergency services, personal services etc. Although fixed-price contracts are the preferred contract type for PBSC, PBSC methods can be used for cost-reimbursement contracts and time and material/labor hour contracts.

In an effort to fulfill this directive, the Federal Highway Administration (FHWA), Federal Transit Administration (FTA), Research and Special Programs Administration (RSPA), Transportation Administrative

Service Center (TASC), and the Maritime Administration (MARAD) recently conducted a workshop entitled *Performance Based Service Contracting: Making it Happen with Increasing Success*.

This day-long seminar touched on increasing PBSC familiarity and facility, demonstrating PBSC benefits through direct connections to DOT buys, and means of strengthening its future use. The DOT will provide additional opportunities for the small, disadvantaged business community to learn more about PBSC.

Proven Results

PBSC is proving to be an acquisition methodology which both saves money and helps DOT fulfill its mission; providing several benefits to both the government and contractor. In October 1996, the Office of Federal Procurement Policy (OFPP), a division of OMB, initiated a PBSC government-wide pilot program. Agencies designated non-PBSC contracts that were due to expire, and re-solicited them using PBSC methods. Twenty-six contracts, ranging in amount from \$100,000 to \$325 million, from 15 agencies with a combined award value of approximately \$585 million were included in this project. The participating contracts experienced an average price decrease of 15 percent in nominal dollars and improve-

ment in customer satisfaction with contractor performance of over 18 percent.

With a primary focus on results, contractors are provided maximum flexibility in meeting the government's actual needs. A concise PWS enables the contractor to fulfill that need as best determined by the contractor. Performance indicators allow the contractor to monitor task performance throughout the life of the project as opposed to vague statements of work that leave the contractor unclear about the projects success.

Learn More

The DOT has posted information on performance-based contracting on the Office of Acquisition and Grant Management web site at <http://www.dot.gov/ost/m60/pbsc/>. Included are examples of PBSC work statements, frequently asked questions, sources for PBSC training, and other PBSC web sites of interest.

For more information on PBSC contact Debbie Ridgely at (202) 366-4233 or email at debbie.ridgely@fhwa.dot.gov.

DBE Program Updates

DBE Size Cap Raised

Under the statutes governing the Department of Transportation's (DOT) Disadvantaged Business Enterprise (DBE) Program, firms are not considered small businesses concerns and are therefore ineligible as DBEs once their average annual receipts over the preceding three fiscal years reach specified dollar limits. These statutes, and the DOT rule implementing them (49 CFR part 26), provide that the Secretary may adjust these specified dollar limits for inflation. A

Federal Register Notice entitled "2000 inflation adjustment of size limits on small businesses participating in the DOT's Disadvantaged Business Enterprise Program" was issued on August 29, 2000, raising the threshold from \$16,600,000 to the new inflation adjusted cap of \$17,420,000.

You can view this Federal Register notice on the DOT Office of Small and Disadvantaged Business Utilization (OSDBU) web site at <http://osdbuweb.dot.gov/business/dbe/dbesizecap.html>.

For further information on the DBE size cap, contact Laura Aguilar, Office of the Assistant General Counsel for Environmental, Civil Rights, and General Law, DOT at 202-366-0365.

GAO's DBE Study to Start in Mid-October

The Transportation Equity Act for the 21st Century (TEA-21) requires the U.S. General Accounting Office (GAO) to study DOT's Disadvantaged Business Enterprise (DBE) program.



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Persistence Pays Off at DRI

This month we spotlight Douglas Resources, Inc. (DRI), a professional and clerical support services company in Washington, DC. The founder and CEO is Dina Douglas.

DRI, a small disadvantaged, minority woman-owned company, was started by Ms. Douglas in 1990 and incorporated in 1995 with only five employees. Since obtaining their 8(a) status in 1995, the original five employees have grown to 35, nearly a 50% increase each year.

Among its many accomplishments, DRI became one of the first 16 companies to form the GSA Federal Supply Schedule for Temporary Professional and Clerical Support Services. In 1998 they were nominated as the SBA Welfare-to-Work Company of the Year and this year became Hub Zone certified.

Ms. Douglas, who has over 20 years of government contracting experience,



*Dina Douglas
Founder and CEO*

attributes DRI's success to persistence. Quoting Theodore Roosevelt she says, "It is not the critic who counts... The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs and comes short again and again; who knows the great enthusiasms, the great devotions; who spends himself in a worthy cause."

This perseverance enabled DRI to obtain an 8(a) contract with the U.S. Department of Transportation's (DOT) Federal Highway Administration (FHWA). Ms. Douglas' marketing efforts included a counseling meeting with a FHWA small business specialist. At that time, Ms. Douglas, "...was prepared to show that DRI stands apart from other 8(a) support contractors."

She identified a need FHWA had for contract administrators and began her quest to prove that DRI was the right company for the job. Nearly two years and several visits to FHWA later, DRI

was awarded a contract and now has five employees on the FHWA site.

In addition to persistence, Ms. Douglas attributes DRI's success with DOT to utilizing DOT and the Office of Small and Disadvantaged Business Utilization's (OSDBU) outreach and technical assistance services such as workshops and small business counseling. On her recent participation in the ONE DOT sponsored workshop on Performance Based Service Contracting (PBSC), she says, "I learned a lot. The workshop was helpful because PBSC is the wave of the future."

When asked where she would like to see the company in ten years, Ms. Douglas references the company motto: *People are worth their weight in gold.* "I would like to see the company expand slightly, strengthening our presence in the government sector, but maintaining our small business perspective: people, clients and employees, should remain the most important facet of business."

You can obtain more information on Douglas Resources, Inc. by phone at (202) 347-5740, or by e-mail at douglasresource@cs.com or on their website at <http://www.douglasresource.com>.

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The study is expected to start in mid-October. As part of its study, GAO will be surveying all state DOTs selected authorities required to submit DBE programs.

DOT encourages all its recipients to cooperate fully with the GAO survey. The US DOT and GAO recognize that there are great demands on DOT recipients' time; however, recipients' cooperation is critical to GAO's ability to provide valid information to the U.S. Congress. In cooperation with GAO, DOT will post additional information as soon as it becomes available.

For additional information on this study, please contact the following GAO staff members: Nikki Clowers at (202) 512-4010 or Susan Fleming at (202) 512-4431.

You can view the DBE section of TEA-21 (Section 6) that pertains to this mandate on the OSDBU web site at <http://osdbuweb.dot.gov/business/MP/mktpkg6.html>.

Supplemental Notice of Proposed Rulemaking (SNPRM)

In May 1997, DOT issued a supplemental notice of proposed rulemaking (SNPRM) to revise its disadvantaged business enterprise (DBE) regulation. The SNPRM included proposals for revising the airport concessions portion of the DBE program. When DOT, in February 1999, issued the final rule based on the SNPRM, it did not publish a final version of the airport concessions proposal.

On September 8, 2000 a supplemental

notice of proposed rule making (SNPRM) for DBE airport concessions was issued. This SNPRM seeks comments on an airport concessions subpart to part 26 that takes into account comments on the May 1997 SNPRM, adapts provisions of the rest of part 26 to the concessions context, and proposes options for provisions affecting car rental operations at airports.

These options are based in part on a recent memorandum of understanding between the American Car Rental Association and the Airport Minority Advisory Council making recommendations to the Department on this aspect of the rulemaking.

You can view this Federal Register notice on the DOT Office of Small and Disadvantaged Business Utilization web site at <http://osdbuweb.dot.gov/business/dbe/dbeconnc.html>.

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Fiscal Year 2000 Approved DBE Programs

A listing of Fiscal Year 2000 approved DBE programs for the Federal Highway Administration (FHWA), Federal Aviation Administration (FAA), and the Federal Transit Administration (FTA) has been posted on the OSDBU web site at <http://osdbuweb.dot.gov/business/dbe/index.html> under "Summaries/Background on DBE Rule."

You can subscribe to receive automatic e-mail announcements on DOT DBE program updates at <http://osdbuweb.dot.gov/about/lists/lists.html>

For more information on the DOT DBE program, contact Gerardo Franco at the DOT OSDBU by phone at (800) 532-1169, x65334 or by e-mail at Jerry.Franco@ost.dot.gov



CALENDAR OF EVENTS FOR October/November 2000

DATE	EVENT	CONTACT
October 15-17	Business Women's Network Leaders Summit and Marketplace Washington, DC	Jennifer Zaniowski (202) 463-3761 jennifer@bwni.com http://www.bwni.com/
October 26	DOT MED Awards Ceremony Washington, DC	Brenda Preston 1-800-532-1169 x66397 Brenda.Preston@ost.dot.gov
October 29- November 1	National Minority Supplier Development Council Conference & Business Opportunity Fair	Suzette Eaddy (212) 944-2430 Fax:(212)-719-9611
November 6-9	7th World Congress on Intelligent Transportation Systems Turin, Italy	Kip Stacy Prots (202) 484-4542 kstacy@itsa.org http://www.itsa.org Oliver Yandle oyandle@itsa.org

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